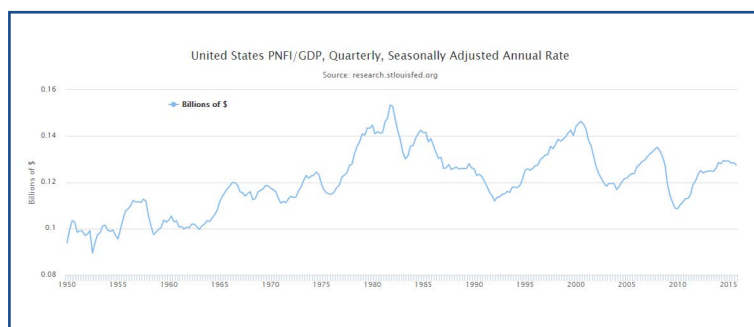
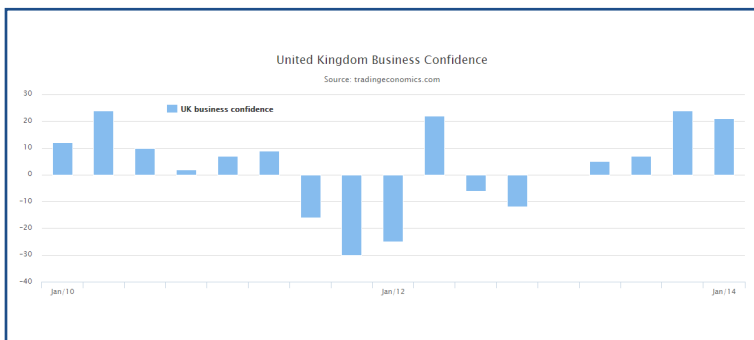
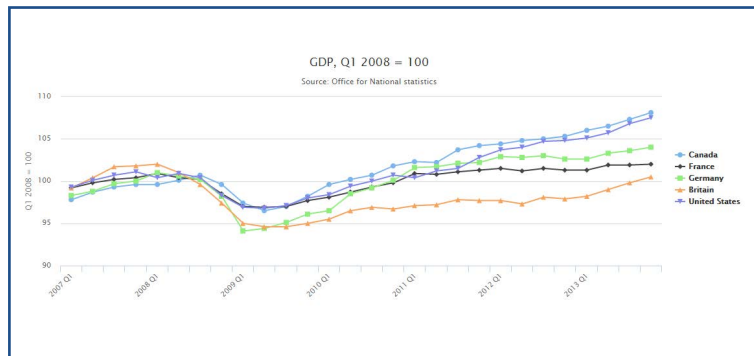


Factors Affecting Investment:

2015 – The rise of the machines?



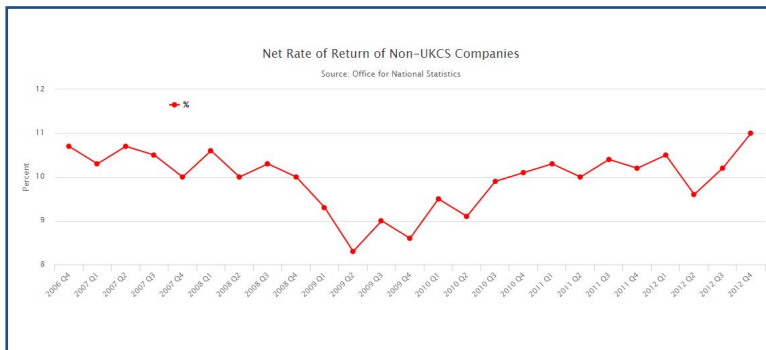
Investment has been one of the stand-out features of the economic recovery to date, but unfortunately not in the way we would have liked. Instead of the quick bounce back in investment that was forecast coming out of the recession, investment has continually fallen short of forecasts. More recently we have seen some signs that things might start to change.

Rising GDP has meant that companies order books have lengthened and the overall UK economic environment has strengthened, which has had an impact in terms of improving business confidence. Profitability remains reasonably strong and many companies still have large cash balances from retained profits that have not been invested or paid out as dividends. The steady cuts in corporation tax (from 28% in 2010 to 20% in 2015) have both increased firms' retained profits and given a greater incentive to invest.

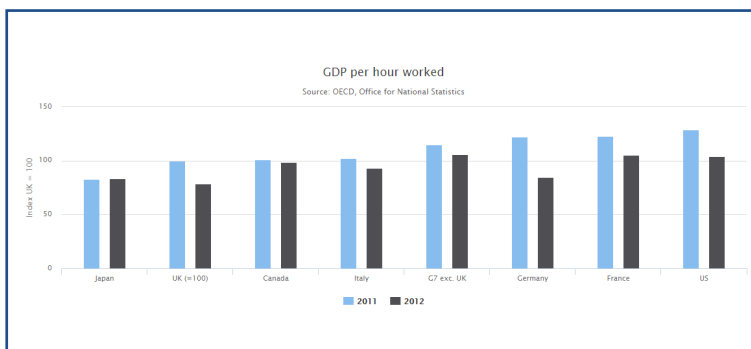
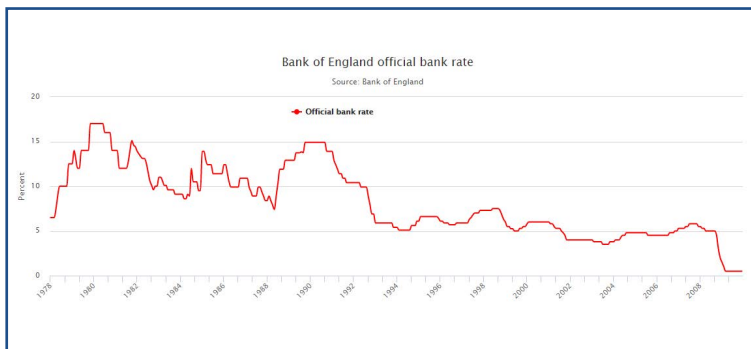
The low interest rates that have prevailed from 2008 onwards have not really increased investment up to this point, but credit conditions are starting to improve as banks become

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more willing to lend. When this is combined with shortages of spare capacity in some sectors, it again seems likely that 2014 may be the year that investment starts to rise, especially given rising investment and productivity in the UK's main competitor countries, which will mean that UK businesses will have to invest to remain competitive and up-to date.



<http://www.eef.org.uk/campaigning/news-blogs-and-publications/blogs/2014/jan/2014-the-year-of-the-investment-revival> (adapted)

What are the key factors that can have an influence on investment?

Explain briefly how each one might have an effect

Will UK investment rise this year?